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THE KSA PERSPECTIVE

For Apparel and Footwear Management

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KSA's Tenth Annual Apparel Industry Financial Performance Profile

Profits down 8.2% for 67 public apparel companies in fiscal 1981; women's wear sector only gainer.

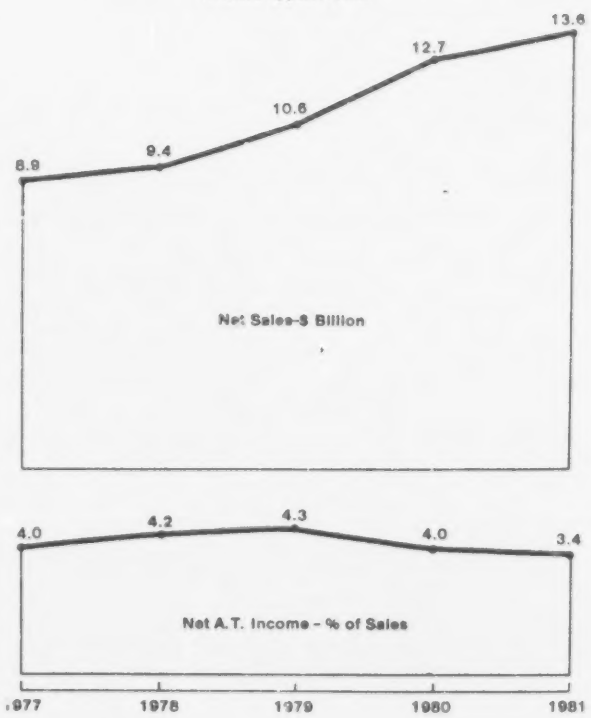
IN THE AGGREGATE, the 67 publicly owned apparel firms in this year's Profile did not do well in fiscal 1981.

Total sales for the group were up 7.8% over 1980, but that increase was almost matched by the increase in the apparel producer price index. The additional billion dollars in volume were accompanied by a $41.5 million drop in net profits (–8.2%.)

As was the case last year, the chief culprits were higher interest and selling, general, and administrative expenses. The 67 companies paid $309.8 million in interest during fiscal 1981, $81.8 million more than it cost them to borrow in the preceding year, and twice the size of the decline in their profit dollars. The composite 2.27% of sales that went for interest payments in 1981 compares with 1.3% in 1977. SG&A was 19.4% of sales last year, 17.35% in 1977.

Coupled with no real growth in sales, these two profit-eroders gave the public apparel sector its second down year in a row after three strong performances. Even so, this year's Profile was brightened by some excellent individual performances, and apparel's over-all figures compare favorably with all manufacturing industries for a recession year.

5 Year Sales and Income Trends
(Profiled Apparel Firms)



Women's Wear Ahead

The 27 women's and children's wear companies in this year's study were the only sector to show a total improvement in profit dollars over 1980, moving ahead $3.9 million for an 8.4% gain. However, their composite net profit on sales ratio dropped slightly to an uninspir-

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Footwear Industry Profile starts on page 11

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HOW INDUSTRY SECTORS COMPARE . . .

Sub-Industry and Year	No. of Firms Reported	Sales ($000)	Net Income ($000)	Net A.T. Income on Sales %	Return on Total Equity %	Total Debt to Assets	Return on Total Assets %	Sales to Total Assets	Gross Profit %	Oper. Earn. %	Inv. Turns	Return on Invested Capital %
Women's & Children's Wear (W)												
1981	27	2,499,300	50,233	2.01	8.10	.48	4.16	2.07	26.45	8.63	4.08	6.32
1980	27	2,148,971	46,337	2.16	7.92	.49	4.03	1.87	26.04	5.89	3.90	5.88
Men's & Boys' Wear (M)												
1981	19	2,684,998	45,904	1.71	6.95	.56	2.99	1.75	24.54	7.50	2.92	4.50
1980	19	2,547,185	58,619	2.30	9.06	.56	3.97	1.72	23.02	6.81	2.99	5.76
Diversified Apparel Mfg. (D)												
1981	21	8,463,891	368,268	4.35	15.17	.48	7.78	1.78	29.87	9.83	3.24	12.20
1980	21	7,983,037	401,023	5.04	18.40	.50	9.12	1.81	30.54	10.59	3.29	14.60
Composite Total■												
1981	67	13,648,189	464,405	3.40	12.52	.50	6.21	1.82	28.19	8.78	3.29	9.81
1980	67	12,659,193	505,979	4.00	14.84	.51	7.20	1.80	28.28	9.03	3.31	11.11

■ *Excludes conglomerates, miscellaneous and multi-industry firms.*

CLASSIFICATIONS

The list of firms on page three has three purposes:

1. To show the sales and net after-tax income of the public companies in this Profile who derive 50% or more of their total sales volume from apparel manufacturing. These firms are classified by the letters M (primarily men's and boys' wear), W (primarily women's and children's wear), and D (diversified products—neither men's wear nor women's wear predominate in the product mix.)

2. To indicate the *manufacturing* sales volume of firms who derive between 20% and 50% of their total revenues from apparel manufacturing. These companies are classified as I (Miscellaneous and Multi-Industry). Also included in this category are companies who make sewn products such as gloves.

3. To indicate the manufacturing sales volume generated by the apparel divisions of large, multi-industry firms—conglomerates (C). Although such volume does not represent 20% of the total sales of these companies, it is over $50 million and therefore, too large to ignore. Apparel manufacturing sales are isolated on the basis of annual report data or information furnished by the companies. (Unfortunately, after-tax earnings on such sales were not available.)

Although only their apparel manufacturing sales volume appears on the opposite page, total sales and income of the Miscellaneous and Multi-Industry (I) firms, plus other key financial ratios, appear on page 8. These ratios are not shown for the conglomerates because their small percentage of apparel volume makes the total company ratios irrelevant to this report.

The need to establish a cut-off date (12/31) for annual reports used in these Profiles causes difficulties for both KSA and those public companies whose fiscal years close one or two months after the cut-off—and who may have already announced another year's results by the time the Profiles are issued in May.

More than four months are needed to gather and analyze reports, run computer programs and print the results for apparel, textiles and footwear. In order to report each year's performance during the following May the present cut-off date must be adhered to without exception. We regret any inconvenience this may cause.

DISCLAIMER

The information presented in this Performance Profile was obtained from available annual reports made by public companies to their stockholders and to the Securities and Exchange Commission. While we believe the information furnished to be reliable, no representations are made as to the accuracy thereof. Kurt Salmon Associates assumes no responsibility for any errors in the Performance Profile, whether of omission or commission. Information presented herein is based solely on publicly available data; the confidentiality of KSA's client relationships has been maintained throughout. KSA's Financial Performance Profile is intended solely for the statistical information of the purchaser. It is not a representation, prospectus, or circular in respect of any stock or security of any corporation. The data and comments contained herein do not constitute investment advice in any form.

SALES AND EARNINGS

Sales Rank 81	80	Company	Sales ($000)	Net Income ($000)	81	80
1	1	Levi Strauss 11/81-D	2,851,245	172,298	1	1
2	2	Blue Bell 10/81-D	1,427,164	46,676	3	2
3	3	Interco 02/81-I	852,644	•	•	•
4	4	Cluett Peabody 12/81-M	826,259	21,338	5	6
5	5	VF Corp. 12/81-D	746,265	52,205	2	3
6	6	Northwest Ind. 12/81-C■	740,700	•	•	•
7	7	Kellwood Co. 04/81-D	590,096	3,549	26	53
8	8	Gulf & Western 07/81-C■	585,000	•	•	•
9	11	Palm Beach Co. 10/81-D	497,249	13,227	7	7
10	9	Warnaco 12/81-D	478,883	21,166	6	5
11	12	Con. Foods 08/81-C■	444,000	•	•	•
12	15	General Mills 05/81■	424,000	•	•	•
13	13	Phil-Van Heusen 01/81-M	419,358	5,356	19	10
14	10	Jonathan Logan 12/81-W	417,738	-11,989	65	13
15	17	Hart, Sch. & Marx 11/81-I	375,157	•	•	•
16	18	Oxford Ind. 05/81-D	333,747	8,771	14	16
17	14	Manhattan 01/81-D	314,865	5,175	21	66
18	19	Russell Corp. 12/81-D	270,425	24,037	4	4
19	23	Chase-Ponda 12/81-C■	255,752	•	•	•
20	30	Puritan Fashions 12/81-W	248,417	11,757	8	62
21	20	US Industries 12/81-C■	239,661	•	•	•
22	24	Leslie Fay 04/81-W	236,936	8,214	16	28
23	20	Rapid-American 01/81-C■	227,000	•	•	•
24	16	Salant Corp 11/81-M	210,939	-6,508	64	42
25	•	Marcade Group 01/81-W	201,151	3,444	27	20
26	29	Work Wear Corp 12/81-D	200,087	4,340	23	27
27	27	Genesco 07/81-I	198,747	•	•	•
28	25	Tultex 11/81-M	191,975	10,066	11	11
29	22	Bobbie Brooks 05/81-W	190,450	-2,388	59	65
30	26	Russ Togs 01/81-W	190,431	9,079	13	9
31	28	Wm. Carter Co. 12/81-W	189,695	6,842	17	15
32	33	Farah Mfg. Co. 10/81-M	168,842	10,984	9	18
33	32	Garan 09/81-D	152,397	9,476	12	12
34	31	Munsingwear 12/81-D	131,168	-6,251	63	63
35	•	Liz Claiborne 12/81-W	116,831	10,182	10	14
36	35	Champion Prod. 12/81-D	113,939	2,329	34	23
37	40	Billy The Kid 09/81-M	111,437	2,927	30	34
38	37	Hampton Ind. 12/81-M	110,834	3,149	29	26
39	38	Stanwood Corp. 12/81-M	107,719	1,352	37	19
40	34	Bayly Corp. 10/81-M	104,890	2,882	31	32
41	58	Nexus 07/81-D	100,976	1,210	40	47
42	47	Wayne-Gossard 12/81-M	88,361	3,175	28	43
43	39	Talley Ind. 03/81-I	86,655	•	•	•
44	42	Superior Surg. 12/81-D	78,748	2,835	32	29
45	46	House of Ronnie 06/81-W	78,003	5,281	20	21
46	36	Kennington 12/81-M	75,073	8,293	15	8
47	•	Bio-Medical 12/81-W	72,668	5,630	18	22
48	43	Pat Fashions 11/81-W	72,259	4,491	22	25
49	51	Oneita Knitting 12/81-M	58,789	570	44	31
50	49	Fritzi of California 09/81-W	58,196	404	46	40
51	52	Olga Co. 12/81-W	58,168	2,711	33	33
52	62	Abe Schrader 07/81-W	58,149	3,554	25	37
53	50	Unitog Company 01/81-D	56,432	1,963	35	30
54	44	Aileen 11/81-W	53,497	-2,597	60	17
55	53	Quality Mills 12/81-M	50,487	-5,031	62	59
56	56	Oshkosh B'Gosh 12/81-D	47,529	3,779	24	24
57	48	Wilson Bros. 12/81-M§	43,897	•	•	•
58	54	Movie Star 05/81-W	43,419	1,252	38	36
59	41	Chromalloy Am. 12/81-C■§	42,369	•	•	•
60	57	Damon Creations 12/81-M §	39,877	•	•	•
61	63	Miller Bros. 09/81-I	39,193	•	•	•
62	•	Savoy 08/81-M §	39,104	•	•	•
63	45	After Six 06/81-M	39,086	-13,540	66	50
64	61	Jack Winter 11/81-W	37,767	-2,884	61	61
65	66	Noel Industries 10/81-D	35,440	1,242	39	44
66	65	C S Group 03/81-W	34,578	-1,233	57	38
67	•	Jaclyn 06/81-I §	32,479	•	•	•
68	64	Boas Mfg. 03/81-I	30,463	•	•	•
69	55	Harwood Co. 12/81-M	29,795	163	49	64
70	70	Harvey Woods 12/81-M	29,616	138	50	49
71	•	Jody Toolique 01/81-W §	28,886	•	•	•
72	67	Spencer Companies 05/81-I	27,743	•	•	•
73	68	Opelika Mfg. 09/81-I	27,297	•	•	•
74	71	Richton Int'l 04/81-I	25,921	1,667	36	35
75	79	Shapely + 12/81-W	24,908	•	•	•
76	72	Kleinert's 09/81-W	23,925	-1,158	56	60
77	69	Joni Blair 06/81-W	23,636	202	46	52
78	77	Fownes Bros. 12/81-I	23,096	•	•	•
79	76	Barco of Calif. 06/81-D	22,928	597	43	46
80	75	Hers Apparel 02/81-W	19,243	-2,303	58	56
81	•	Chamold 07/81-W §	18,881	•	•	•
82	78	Nantucket Ind. 02/81-W	17,108	657	42	39
83	60	Raven Ind. 01/81-I	15,166	•	•	•
84	81	State-O-Maine 02/81-M	14,210	472	45	51
85	83	Falco Sports 08/81-D	11,031	202	47	54
86	82	Martha Manning 12/81-W	10,021	-679	55	58
87	84	Howard B. Wolf 05/81-W	8,361	-598	54	45
88	85	Bi-State Ind. 03/81-W	8,348	775	41	41
89	86	Fox Knapp Mfg. 05/81-M	6,592	-130	52	43
90	89	ProGroup 09/81-I	6,468	•	•	•
91	90	Kappa Frocks 10/81-W	5,399	-82	51	55
92	88	Profile Sports 02/81-D	3,277	-558	53	57

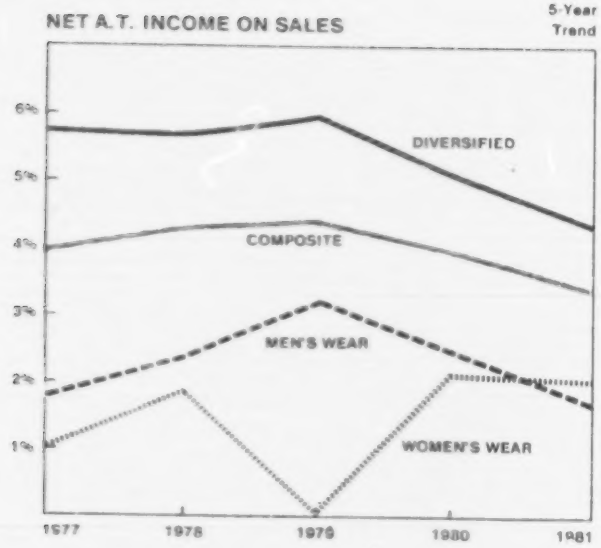
Sales Total **18,477,611**

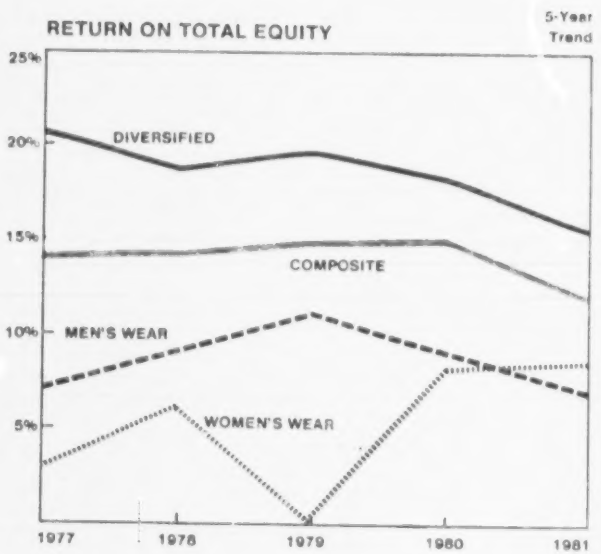
• Unavailable

■ Estimated; may include some non-apparel sales.

§ Does not appear elsewhere in Profile.

+ *formerly Mack Shirt.*





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ing 2%. By contrast, the diversified firms registered a 4.35% figure. Men's and boys' wear trailed with 1.7%.

Composite operating earnings for women's wear firms were 6.6% of sales, capping a five-year improvement trend that has also seen cost of goods sold driven down to 73.5%. While nothing sensational in themselves, such aggregate performances reflect better control and organization in this volatile part of the industry, allowing its members to get more profits out of the fashions they create.

Those women's wear firms with strong designer labels and better priced brands—along with diversified companies merchandising to the same markets—did well in 1981.

Among the women's wear specialists, *Liz Claiborne* and *Puritan Fashions* were outstanding examples of this marketing approach. The former, in the Profile for the first time this year, has firmly established itself among the top performers a year after going public. *Puritan Fashions*, shrewdly expanding its Calvin Klein label, enjoyed a $15-million turnaround from a loss situation in 1980, and climbed from 62nd to 8th place in the dollar profits category.

If profit data were available from the fashion subsidiaries of firms such as *General Mills*, *Gulf & Western*, *VF*, and *Interco*, the figures for this sector would unquestionably be stronger.

Bt-State Industries, a small dress firm, continues to turn in outstanding P&L statements without benefit of a nationally known label. Its SG&A and interest costs combined were only 17.5% of sales last year, and they were applied against a 34.5% gross profit. Other top women's wear performers included *House of Ronnie*, *Pat Fashions*, and *Abe Schrader*. These were mixed in with losing performances by 10 companies in this group, including *Jonathan Logan*'s massive $26 million write-off of its knitting operations. As with most of the apparel industry, there were fewer medium performances to bridge the gap between good and bad last year.

Although this category covers both women's wear and children's wear firms, the tendency has been to write only about the former. A few infants' and children's wear specialists—such as *Health-tex (Chesebrough-Ponds)*, *William Carter*, and *Garan* (diversified this year)—are well into the $150-million category and their performances reflect good management in a challenging and difficult section of the style business.

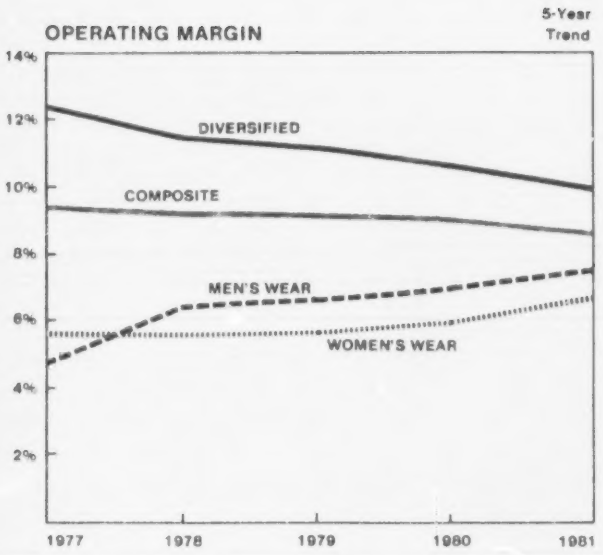
Hard Times In Men's Wear

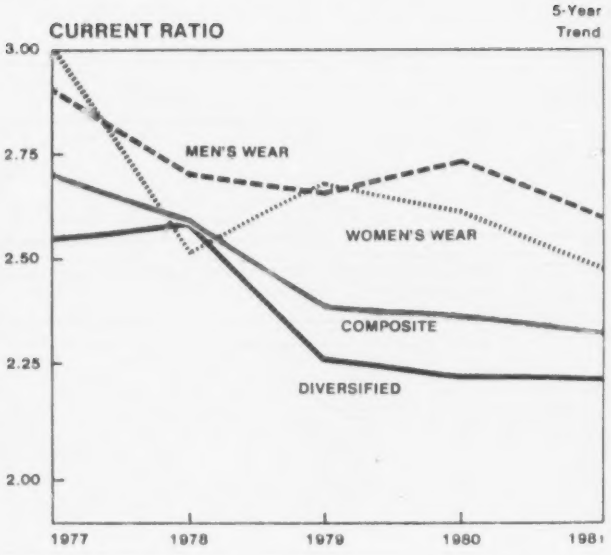
On a 5.4% sales growth, the 19 men's and boys' wear firms profiled this year showed a 21.7% drop in net after tax income. Gross profits and operating earnings for the group reached five-year peaks, but interest costs (2.87%) and miscellaneous expenses ate them away.

Between them, *Salant* and *After Six* contributed most of the group's $33 million in write-downs, which brought miscellaneous expenses to 1% of sales. Last year, there were approximately $14 million in write-downs, and miscellaneous expenses came to 0.34% of men's wear sales. Disposing of unprofitable operations is a necessity in today's dynamic apparel business; profitable firms prune dead wood regularly. Men's wear results for 1981 are therefore somewhat distorted, and the figures should be healthier next year. *Salant's* branded slacks operation is profitable and growing.

In contrast to the more fashion-oriented companies noted earlier, men's wear firms that concentrated on supplying private label goods to chains found 1981 tough sledding.

Despite the strong figures of *Kennington* and *Tultex*—both among the top performers—men's wear fared poorly in 1981's recessionary environment, lending support to the traditional view that the man of the family is the last to purchase apparel when the economy turns sour. Another factor that had to hurt the men's wear group was the drop in jeans sales. With decreased domestic production of all jeans-type slacks, the big three jeans makers (classified as diversified here) were not the only ones to suffer.





Diversified Decline

In 1980, *Levi Strauss*, *Blue Bell*, and *VF* contributed 84% of the $401 million profit earned by all 21 diversified companies in the Profile. During fiscal 1981, these three giant firms earned $66.3 million less, and their share of the group's profits decreased to 73%. Sales for the whole sector rose 6.4% in 1981, but profits dropped by $32.8 million, or 8.2%—half of the Big Three's decline.

Those figures tell most of the story for diversified companies. This group by definition offers the widest spectrum of apparel products, and many of its companies and their divisions enjoyed excellent years, especially if they weren't involved in jeans.

Paradoxically, however, a 100% jeans specialist like *Noel Industries* increased its profits to $1.2 million, up 136%, on a 21% sales rise. And *Oshkosh B'Gosh*, a specialist in bib overalls and other workwear products that have been in fashion recently, turned in another top performance.

Manhattan Industries registered the largest turnaround of any company in the Profile, going from a $13 million loss in 1980 to a $5 million profit in 1981. *Manhattan* closes its fiscal year in January, and its results for fiscal 1982 extended the turnaround by another $4.5 million.

Another diversified company with a well balanced mix of branded products is *Warnaco*, which recorded peak figures in 1981. Its gross profit for the year was 34%—six points above the industry composite.

COMPOSITE P & L DATA-1981

	Men's Wear %	Women's Wear %	Diversified %
Cost of Goods Sold	75.5	73.6	70.1
SG & A	17.1	19.8	20.0
Operating Margin	7.5	6.6	9.8
Net A.T. Income	1.7	2.0	4.4

Results of the Five Largest Firms
(Levi Strauss, Blue Bell, Cluett, VF, Kellwood)

	Five-Firm Composite	All-Industry Composite
Total Sales ($000)	3,441,029	13,648,189
Total Income ($000)	296,066	464,405
Net A.T. Inc. on Sales %	4.80	3.40
Ret. on Total Equity	15.54	12.52
Operating Margin	10.25	8.78

While still ahead of men's wear and women's wear, the diversified sector suffered its second decline in a row in 1981. Return on equity for these firms comfortably above 18% for the last four years, skidded to 15% in 1981.

Capital investment by diversified companies eased to 2.9% of sales, but remained double that of the other two groups. *Russell Corporation*, a vertical manufacturer of athletic wear and woven fabrics, invested 11.8% of its $270 million sales volume in new knitting, sewing, yarn spinning and dyeing facilities during 1981. It ranked third in return on sales among the 67 profiled firms.

Counter-Recessionary

There is no logical way to interpret this year's Profile in terms of recessionary moves in the general economy. If anything, financial performances of apparel companies ran counter to expectations.

Assuming that the five quarters between July, 1980, and October, 1981, were free of recession, it could be expected that firms with fiscal closings in the first half of 1981 would have done better than those whose years ended in the second half, and included the weak fourth quarter.

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APPAREL PERFORMANCE PROFILE — FISCAL 1981

(Excludes Conglomerates, Miscellaneous Apparel and Multi Industry Firms)

81 Sales Rank	Company	Net A.T. Inc. on Sales %	81	80	Return on Total Equity %	81	80	Total Debt To Assets %	81	80	Return on Total Assets %	81	80	Sales To Total Assets %	81	80	Gross Profit %	81	80	Operating Earnings %	81	80	Inventory Turns	81	80	Return on Invested Capital %	81	80
52	Abe Schrader 07/81-W	8.11	10	24	23.91	5	25	.25	60	62	17.89	4	14	2.92	4	8	31.75	10	20	11.62	9	37	7.14	2	9	23.91	4	19
63	After Six 6/81-M	−34.64	63	45	−101.12	62	46	.77	4	16	−23.01	61	46	.66	66	65	31.50	11	23	8.43	27	40	1.34	66	64	−57.34	62	46
54	Aileen 11/81-W	−4.85	56	+	−6.81	49	+	.24	62	61	−5.14	53	+	1.06	62	59	13.27	63	44	−7.06	62	29	3.73	30	23	−5.96	50	+
79	Barco of Calif. 06/81-D	2.60	32	29	5.26	42	43	.18	63	64	4.30	33	33	1.65	53	42	28.47	19	32	5.52	38	53	2.46	56	55	5.19	37	38
40	Bayly Corp. 10/81-M	2.74	28	36	11.02	29	32	.43	42	38	6.24	22	30	2.27	15	9	19.92	49	60	4.95	45	47	4.05	23	12	8.55	24	33
88	Bi-State Ind. 03/81-W	9.28	2	2	40.03	1	1	.35	55	28	25.65	1	2	2.76	8	4	34.54	6	6	17.10	2	3	9.08	1	2	40.03	1	1
37	Billy The Kid 09/81-M	2.62	30	32	14.71	21	23	.67	13	13	4.73	32	36	1.80	37	39	30.27	15	34	8.27	28	42	3.15	40	35	7.16	29	35
47	Bio-Medical 12/81-W	7.74	+	+	49.35	+	+	.53	28	7	22.79	+	+	2.94	3	17	26.09	31	19	10.18	15	10	5.96	5	3	35.20	+	+
2	Blue Bell 10/81-D	3.27	25	11	10.87	31	14	.47	37	32	5.69	28	16	1.74	44	47	28.12	21	16	7.38	33	12	2.62	54	46	9.65	22	11
29	Bobbie Brooks 05/81-W	−1.25	48	51	−8.05	50	54	.65	16	19	−2.74	49	53	2.18	20	11	22.83	43	41	1.88	54	61	4.65	14	18	−5.45	49	54
36	Champion Prod. 12/81-D	2.04	35	18	6.10	39	27	.37	53	55	3.84	34	20	1.87	29	29	23.97	39	29	5.43	40	21	3.07	41	41	4.72	39	22
4	Cluett Peabody 12/81-M	2.58	33	30	10.40	33	34	.53	28	35	4.82	31	32	1.86	30	36	26.94	25	37	8.01	32	33	2.98	43	43	7.06	30	37
66	CS Group 03/81-W	−3.56	53	22	−36.80	59	11	.71	8	30	−10.58	58	15	2.96	2	15	23.50	41	13	−3.49	58	36	7.12	3	7	−16.55	59	13
32	Farah Mfg. Co. 10/81-M	6.49	+	+	36.93	+	+	.71	8	9	10.53	+	+	1.62	55	36	30.69	13	28	10.44	14	30	3.23	38	31	16.58	+	+
85	Felco Sports 08/81-D	1.83	36	37	6.97	37	39	.51	33	28	3.41	36	40	1.86	30	57	25.65	34	42	5.05	43	51	2.82	49	53	5.30	34	39
89	Fox Knapp Mfg. 05/81-M	−1.97	50	11	−3.86	48	28	.31	57	54	−2.63	48	23	1.33	60	60	13.83	62	56	−3.76	59	54	1.49	65	66	−3.24	48	23
50	Fritzi of Calif. 09/81-W	.69	44	40	2.95	46	40	.46	40	57	1.56	43	34	2.26	16	5	21.70	46	46	1.57	55	56	4.56	15	6	2.87	45	36
33	Garan 09/81-D	6.21	8	10	18.19	12	17	.42	45	47	10.47	12	12	1.68	49	44	26.08	32	45	11.39	10	15	4.44	17	17	14.95	13	16
38	Hampton Ind. 12/81-M	2.84	27	26	10.91	30	20	.43	42	47	6.14	23	19	2.15	21	18	20.03	48	55	8.08	31	24	4.18	21	14	7.46	27	21
70	Harvey Woods 12/81-M	.46	47	41	1.90	47	42	.59	25	26	.77	47	42	1.66	51	54	26.71	27	35	5.89	37	44	2.18	63	63	1.52	47	42
69	Harwood Co. 12/81-M	.54	46	58	3.71	45	59	.63	19	17	1.36	45	59	2.49	11	3	15.65	57	59	4.79	48	57	4.15	22	16	2.98	43	59
80	Hers Apparel 02/81-W	−11.96	61	49	−78.41	61	49	.63	19	36	−28.34	63	49	2.36	12	21	17.37	55	50	−10.91	64	63	3.78	29	24	−40.08	60	49
45	House of Ronnie 06/81-W	6.77	7	8	22.71	8	9	.32	56	47	15.34	5	8	2.26	16	28	28.13	20	25	13.05	6	8	3.99	26	38	21.67	6	7
87	Howard B. Wolf 05/81-W	−7.12	58	+	−12.05	54	+	.13	65	63	−10.44	57	+	1.46	56	61	17.48	54	8	−8.75	63	38	2.23	60	62	−12.01	57	+
64	Jack Winter 11/81-W	−7.63	59	57	−10.36	52	50	.17	64	66	−8.50	56	55	1.11	61	63	21.97	45	43	−19.13	66	66	5.82	7	29	−10.26	54	52
14	Jonathan Logan 12/81-W	−2.86	51	39	−10.10	51	41	.47	37	44	−5.35	54	39	1.86	30	38	19.80	50	51	3.59	52	52	4.29	19	29	−7.95	51	41
77	Joni Blair 06/81-W	.85	43	44	5.31	41	38	.70	10	14	1.56	43	41	1.83	36	14	15.33	59	64	4.31	49	50	4.26	20	19	5.31	33	31
91	Kappa Frocks 10/81-W	−1.51	49	48	−11.26	53	48	.61	23	26	−4.35	50	48	2.86	5	6	22.05	44	48	−.14	56	60	5.65	9	4	−10.91	56	48
7	Kellwood Co. 04/81-D	.60	45	47	4.46	44	47	.76	6	3	1.05	46	47	1.76	43	50	15.22	60	62	4.13	51	43	2.68	52	54	2.53	46	47
46	Kennington 12/81-M	11.04	1	1	13.03	23	6	.11	66	64	11.57	10	3	1.04	63	47	26.42	28	5	9.20	23	1	2.22	61	37	13.03	16	3

76	Kleinert's 09/81-W	−4.84	55	59	−13.35	55	57	.63	19	8	−4.94	52	58	1.02	64	63	7.51	66	66	1.97	53	55	2.19	62	61	−8.31	52	58
22	Leslie Fay 04/81-W	3.46	23	37	16.63	18	35	.43	42	40	9.39	14	31	2.71	9	12	31.07	12	10	6.81	36	35	5.27	11	19	14.24	15	32
1	Levi Strauss 11/81-D	6.04	11	4	18.15	13	4	.40	47	46	10.73	11	5	1.77	41	27	35.64	4	2	12.49	8	6	3.52	33	32	15.68	9	4
35	Liz Claiborne 12/81-W	8.71	4	5	38.00	2	2	.40	47	44	22.68	2	1	2.60	10	2	34.77	5	7	19.21	1	2	5.85	6	1	38.00	2	2
17	Manhattan 01/81-D	1.64	38	54	10.69	32	56	.66	14	11	3.54	35	56	2.15	22	16	30.47	14	26	5.12	42	59	3.46	34	33	5.30	34	55
25	Marcade Group 01/81-W	1.71	37	+	11.55	27	+	.73	7	5	3.06	37	+	1.79	38	66	26.72	26	3	9.40	19	31	2.97	44	65	5.21	36	+
86	Martha Manning 12/81-W	−6.77	57	55	−20.38	58	52	.38	51	56	−13.52	59	54	1.84	34	51	21.62	47	53	−6.48	60	65	3.24	37	40	−16.38	58	53
58	Movie Star 05/81-W	2.88	26	27	7.10	36	33	.27	59	60	5.15	30	25	1.78	39	26	27.28	23	33	4.86	47	45	2.66	53	52	6.57	32	27
34	Munsingwear 12/81-D	−4.76	54	53	−15.53	57	51	.47	37	24	−8.08	55	51	1.69	48	51	23.52	40	36	−6.89	61	62	2.87	48	49	−10.82	55	50
82	Nantucket Ind. 02/81-W	3.84	17	9	19.26	11	3	.66	14	11	6.53	20	10	1.70	47	23	23.98	38	39	10.83	13	7	3.69	31	13	12.23	20	6
41	Nexus 07/81-D	1.19	41	43	15.93	19	36	.86	2	2	2.20	40	43	1.84	34	56	17.28	56	49	6.91	35	14	5.60	10	14	4.54	40	43
65	Noel Industries 10/81-D	3.50	21	35	17.09	15	29	.53	28	17	7.93	17	37	2.26	16	32	23.25	42	52	8.95	24	39	3.83	28	27	15.54	11	25
51	Olga Company 12/81-W	4.66	15	16	17.01	16	19	.41	46	47	9.99	13	17	2.14	24	25	36.00	3	4	10.00	17	16	2.72	51	56	15.54	11	17
49	Oneita Knitting 12/81-M	.96	42	17	6.55	38	7	.68	12	21	2.08	42	11	2.15	22	10	11.34	64	61	5.05	43	18	4.99	13	10	3.54	42	12
56	Oshkosh B'Gosh 12/81-D	7.85	5	6	24.49	4	5	.25	60	59	18.28	3	4	2.30	14	19	28.99	18	12	15.06	4	5	3.59	32	34	23.33	5	5
16	Oxford Industries 05/81-D	2.52	30	28	11.84	26	31	.49	34	40	5.92	26	28	2.25	19	23	18.92	51	57	5.39	41	48	3.91	27	36	9.58	23	30
9	Palm Beach Co. 10/81-D	2.66	29	23	14.53	22	15	.62	22	21	5.44	29	21	2.04	26	30	27.06	24	15	8.63	25	17	3.07	41	45	10.99	21	14
48	Pat Fashions 11/81-W	6.21	8	14	20.68	8	12	.29	58	58	14.57	6	9	2.34	13	6	26.34	29	27	5.49	39	23	5.71	8	5	20.68	7	9
13	Phil-Van Heusen 01/81-M	1.27	39	31	5.71	40	30	.53	28	24	2.66	39	35	2.08	25	40	25.62	35	30	4.14	50	46	3.33	35	48	3.68	41	34
92	Profile Sports 02/81-D	−17.02	62	52	−72.00	60	53	.77	4	15	−16.26	60	50	.95	65	53	15.34	58	24	−12.66	65	58	2.25	59	27	−43.02	61	51
20	Puritan Fashions 12/81-W	4.73	14	50	37.90	3	55	.65	16	5	13.25	7	52	2.79	6	13	38.86	2	14	11.09	11	41	5.09	12	11	26.85	3	56
55	Quality Mills 12/81-M	−9.96	60	56	−488.92	63	58	.94	1	4	−27.76	62	57	2.78	7	31	11.02	65	65	−3.02	57	64	3.22	39	46	−57.41	63	57
30	Russ Togs 01/81-W	4.76	13	13	14.72	20	18	.36	54	51	9.36	15	13	1.96	28	35	25.37	36	40	8.17	30	28	4.48	16	22	12.85	18	15
18	Russell Corp. 12/81-D	8.88	3	3	19.56	9	10	.38	51	52	11.95	9	7	1.34	59	58	29.27	16	22	16.76	3	4	4.01	24	25	15.66	10	10
24	Salant Corp. 11/81-M	−3.08	52	46	−14.94	56	45	.70	10	10	−4.46	51	45	1.44	57	46	18.82	53	63	8.22	29	49	1.81	64	58	−8.79	53	45
62	Savoy Ind. 08/81-M	0.66	•	•	104.28	•	•	.99	•	•	.81	•	•	1.23	•	•	37.71	•	•	11.70	•	•	3.58	•	•	2.52	•	•
75	Shapely 12/81-W	6.69	+	+	212.89	+	+	.84	3	1	32.32	+	+	4.82	1	1	25.96	33	21	9.71	18	11	6.01	4	8	67.65	+	+
39	Stanwood Corp. 12/81-M	1.25	40	+	4.76	43	+	.54	26	38	2.15	41	+	1.71	45	32	14.70	61	58	4.88	46	22	2.44	57	59	2.93	44	+
84	State-O-Maine 02/81-M	3.32	24	33	16.87	17	26	.60	24	21	6.58	19	29	1.98	27	20	32.35	8	17	9.38	21	32	3.26	36	39	14.80	14	24
44	Superior Surg. 12/81-D	3.60	18	24	11.86	25	22	.49	34	36	6.00	25	27	1.66	51	41	29.00	17	18	8.49	26	27	2.77	50	51	7.67	26	28
28	Tultex 11/81-M	5.24	12	15	19.38	10	13	.53	28	19	8.97	16	21	1.71	45	49	26.15	30	47	12.73	7	13	4.00	25	21	13.03	16	20
53	Unitog Company 01/81-D	3.47	22	19	9.59	34	24	.40	47	43	5.72	27	26	1.64	54	45	45.37	1	1	7.17	34	34	2.88	47	50	7.31	28	26
5	VF Corporation 12/81-D	6.99	6	7	21.53	7	8	.39	50	52	13.06	8	6	1.86	30	34	31.99	9	11	14.41	5	9	4.38	18	25	19.15	8	8
10	Warnaco Inc. 12/81-D	4.41	16	19	17.38	14	16	.54	26	32	7.89	18	18	1.78	39	22	33.91	7	9	11.07	12	20	2.91	46	42	12.72	19	18
42	Wayne-Gossard 12/81-M	3.59	20	42	11.21	28	44	.46	40	40	6.03	24	44	1.67	50	61	18.91	52	54	10.16	16	19	2.53	55	60	6.94	31	44
31	Wm. Carter Co. 12/81-W	3.60	18	21	12.43	24	21	.48	36	34	6.41	21	24	1.77	41	42	27.62	22	31	9.33	22	26	2.37	58	57	8.00	25	29
26	Work Wear Corp. 12/81-D	2.16	34	34	8.87	35	37	.65	16	30	3.06	37	38	1.41	58	55	25.35	37	38	9.40	19	25	2.97	44	43	4.78	38	40

Rankings in blue indicate relative standings for fiscal year ending 1981.
Rankings in black refer to standings in the previous fiscal year based on the present mix of companies.

\+ *Extraordinary gains exceed 1% of net sales; therefore, these companies are unranked.*
++ *Extraordinary deductions exceed 1% of net sales; therefore, these companies are unranked.*
* *Unavailable.*

MISCELLANEOUS and MULTI-INDUSTRY FIRMS

	Sales ($000)	Net Income ($000)	Net A.T. Inc. on Sales %	Return on Total Equity	Total Debt to Assets	Return on Total Assets %	Sales To Total Assets %	Gross Profits %	Oper. Earnings %	Inv. Turns	Return on Inv. Capital %
Boss Mfg. 03/81 §	50,772	1,109	2.18	8.86	.48	4.54	2.08	26.40	5.21	3.40	5.62
Fownes Bros. 12/81	23,096	1,458	6.31	10.07	.32	7.75	1.22	30.24	12.77	1.87	10.07
Genesco 07/81 §	662,490	18,063	2.73	18.08	.73	4.75	1.74	32.97	6.29	2.69	6.97
HSM 11/81 §	815,560	27,410	3.36	11.16	.47	5.89	1.75	38.04	5.67	2.58	8.90
Interco 02/81 §	2,368,456	124,330	5.25	13.60	.37	8.46	1.61	32.81	9.75	2.73	10.52
Jaclyn 06/81	32,479	1,428	4.40	10.50	.23	8.03	1.82	24.93	6.19	5.03	9.66
Miller Bros. 09/81	39,193	541	1.38	6.16	.81	2.36	1.71	23.48	5.83	2.71	4.14
Opelika 09/81	75,825	-2,211	-2.92	-9.71	.62	-3.67	1.26	10.41	1.68	3.19	-8.04
ProGroup 09/81 §	23,102	1,023	4.43	11.93	.30	8.25	1.86	30.31	7.54	4.38	11.41
Raven 01/81 §	32,970	585	1.77	6.12	.47	3.22	1.81	25.88	6.05	2.65	4.09
Richton Int'l 04/81 §	60,282	762	1.26	4.78	.63	1.75	1.38	39.29	4.02	2.31	2.75
Spencer Cos. 05/81 §	69,358	1,085	1.56	5.86	.40	3.50	2.23	36.58	3.46	2.98	5.18
Talley Ind. 03/81 §	376,765	-4,304	-1.14	-4.94	.60	-1.97	1.72	18.46	-1.48	3.71	-2.74

§ *Multi-industry company; only a portion of total sales is apparel.*

WHAT THE RATIOS MEAN

Net After-Tax Income on Sales – Net income divided by net sales and reported as a percentage. This figure is frequently labeled Return on Sales although KSA declines use of this title since extraordinary items are included in net income. Net sales is gross sales less discounts and allowances for returns and bad debts.

Return on Total Equity – Net income divided by total equity, reported as a percentage. The figure is a good measure of performance on behalf of the owners of the firm.

Total Debt to Assets – The sum of current liabilities, deferred liabilities, and long-term debt; divided by the book value of total assets. The quotient indicates the proportion of assets supported by creditor-supplied funds. Values usually range between zero and one. (Values greater than one indicate that a negative shareholders' equity exists.) Values approaching one indicate the possibility of high financial risk exposure. Whether that risk is short-term (i.e., likely deficiency of liquid assets to cover near-term debt maturities) or long-term, with its attendant contractual interest requirements, can be ascertained by dividing Return on Total Assets by Return on Invested Capital. This yields the proportion of long-term sources of funds in the financial structure. Very low figures may indicate management's unwillingness to take risks.

Return on Total Assets – Net income divided by the book value of total assets, converted to a percentage. This figure is often used as an indicator of the return on the total investment in the firm, regardless of financing, although most analysts correctly suggest that to make this measure more precise, one must add tax-adjusted interest payments to net income before dividing.

Sales to Total Assets – Net sales divided by total assets. This result is frequently called total asset turnover or simple turnover. Again, we are reluctant to use these terms due to the inclusion of intangible items in the total asset base. A high ratio may indicate inadequate planning for growth and/or operating at or above full capacity. A low ratio suggests overinvestment or inefficient use of assets.

Gross Profit – Net sales less cost of goods sold, divided by net sales and multiplied by 100 to make a percentage. The result is a good proxy for manufacturing profit.

Operating Earn. – Net sales less cost of goods sold as well as selling, general and administrative expense; divided by net sales and reported as a percentage. It is a good measure of a company's profitability on its primary, continuing operations.

Inventory Turns – Cost of goods sold divided by the average of the ending inventory for the year and prior year total inventory. Excessively high figures can be symptomatic of deteriorating customer service while unusually low turns can suggest unduly high safety stocks and the high cost of supporting them.

Return on Invested Capital – Net income divided by the sum of total equity and long-term debt. Many consider this figure to be the best single measure of performance for it represents the return to committed capital and is resistant to attempts to windowdress public financial statements.

TOP PERFORMERS

1981

1977-1981

NET A.T. INCOME ON SALES

	Company	Sales ($000)	Net A.T. Income on Sales	1980 Rank
1	Kennington (M)	75,073	11.04	1
2	Bi-State Ind. (W)	8,346	9.28	2
3	Russell Corp. (D)	270,425	8.68	3
4	Liz Claiborne (W)	116,831	8.71	5
5	Oshkosh B'Gosh (D)	47,529	7.95	6
6	VF Corp. (D)	746,265	6.99	7
7	House of Ronnie (W)	78,003	6.77	8
8	Garan (D)	152,397	6.21	10
8	Pat Fashions (W)	72,259	6.21	14
10	Abe Schrader (W)	58,149	6.11	24
11	Levi Strauss (D)	2,851,245	6.04	4
12	Tultex (M)	191,975	5.24	15

	Company	5-Year Sales ($000)	Net A.T. Income on Sales %
1	Kennington (M)	409,348	11.64
2	Russell Corp. (D)	1,022,217	8.32
3	Levi Strauss (D)	11,036,558	7.81
4	Oshkosh B'Gosh (D)	171,308	7.30
5	VF Corp. (D)	2,882,078	6.80
6	House of Ronnie (W)	260,201	6.18
7	Blue Bell (D)	5,600,388	5.46
8	Garan (M)	637,492	5.29
9	Bi-State Ind. (W)	30,500	5.20
10	Tultex (M)	777,848	4.57
11	Pat Fashions (W)	322,524	4.56
11	Russ Togs (W)	778,058	4.56

RETURN ON TOTAL EQUITY

	Company	Sales ($000)	Return on Total Equity %	1980 Rank
1	Bi-State Ind. (W)	8,346	40.03	1
2	Liz Claiborne (W)	116,831	38.00	*
3	Puritan Fashions (W)	248,417	37.90	55
4	Oshkosh B'Gosh (D)	47,529	24.49	5
5	Abe Schrader (W)	58,149	23.91	25
6	House of Ronnie (W)	78,003	22.71	9
7	VF Corp. (D)	746,265	21.53	8
8	Pat Fashions (W)	72,259	20.68	12
9	Russell Corp. (D)	270,425	19.56	10
10	Tultex (M)	191,975	19.38	13
11	Nantucket Ind. (W)	17,106	19.26	3
12	Garan (D)	152,397	18.19	17

	Company	5-Year Sales	ROE
1	Shapely (W) *(Mack Shirt)	68,121	34.73
2	Bi-State Ind. (W)	30,500	33.85
3	Levi Strauss (D)	11,036,558	24.62
4	Kennington (M)	409,348	23.14
5	State-O-Maine (M)	59,855	21.48
6	Oshkosh B'Gosh (D)	171,308	21.19
7	Palm Beach Co. (D)	1,667,926	19.37
8	Russell Corp. (D)	1,022,217	19.14
9	House of Ronnie (W)	260,201	19.01
10	Oneita Knitting (M)	238,422	18.89
11	Nantucket Ind. (W)	65,045	18.64
12	Tultex (M)	777,848	18.37

RETURN ON INVESTED CAPITAL

	Company	Sales ($000)	Return on Invested Capital %	1980 Rank
1	Bi-State Ind. (W)	8,346	40.03	1
2	Liz Claiborne (W)	116,831	38.00	*
3	Puritan Fashions (W)	248,417	26.85	58
4	Abe Schrader (W)	58,149	23.91	19
5	Oshkosh b'Gosh (D)	47,529	23.33	5
6	House of Ronnie (W)	78,003	21.67	7
7	Pat Fashions (W)	72,259	20.68	9
8	VF Corp. (D)	746,265	19.15	8
9	Levi Strauss (D)	2,851,245	15.68	4
10	Russell Corp. (D)	270,425	15.66	10
11	Noel Industries (D)	35,440	15.54	25
11	Olga Co. (W)	58,168	15.54	17

	Company	5-Year Sales	Return on Inv. Capital %
1	Bi-State Ind. (W)	30,500	33.79
2	Kennington (M)	409,348	22.98
3	Levi Strauss (D)	11,036,558	21.27
4	Oshkosh B'Gosh (D)	171,308	19.75
5	House of Ronnie (W)	260,201	17.72
6	Pat Fashions (W)	322,524	16.74
7	VF Corp. (D)	2,882,078	16.15
8	State-O-Maine (M)	59,855	15.87
9	Blue Bell (D)	5,600,388	15.25
10	Russell Corp. (D)	1,022,217	14.73
11	Palm Beach (D)	1,667,926	13.67
12	Garan (D)	637,492	12.61

* *Unavailable*

continued from page 5

Yet an analysis of returns by fiscal closing dates shows that the 22 first-half companies included seven losers, and produced a composite of 1.2% profit-on-sales ratio. The 45 companies with second-half closings featured nine losers, but came up with a composite 4% profit ratio. Last year, this type of breakdown yielded almost even distribution between the two halves.

The only reasonable explanation appears to be that there were more large company top performers among the second-half closers. At the risk of sounding platitudinous, it appears that a good marketing mix and strong management are relatively unaffected by recessions.

Aside from the obvious correlation of no real sales growth with recession, the main impact of economic uncertainty and tight credit can be found on the balance sheets. Average collection periods were extended by two days to 54.1 in 1981, and provisions for doubtful accounts rose by 25%. Raw materials inventories dropped significantly, from 11.95% of assets to 7%, reflecting wary retail buying, and total inventories dropped under 40% for the first time in five years. Tighter inventory control received more attention in 1981. It may be difficult to find direct correlations in the return figures of public apparel companies, but it is clear that most of them operated cautiously last year.

CAPITAL EXPENDITURE AS A % OF SALES

	Women's Wear %	Men's Wear %	Diversified %	All-Industry Composite
1978	1.64	1.94	2.57	2.26
1979	1.29	1.93	2.51	2.18
1980	1.59	1.86	3.21	2.62
1981	1.43	1.44	2.91	2.35

Versus Other Industries: Not Bad

Although the publicly owned apparel industry had its worst performance in five years in 1981, its ability to weather downturns in the general economy leave it in good shape relative to all U.S. industries. The median return on common equity for all industries represented in Fortune's 500 this year was 13.8%. KSA's Apparel Profile shows a 12.5% composite return for all 67 companies who derive more than 50% of their sales from apparel manufacturing. Our compilation excludes companies like *Interco* and *Hart, Schaffner & Marx* (among the top 500 corporations), but includes firms with volumes under $10 million, many with negative figures last year.

Because of the strict parameters used in these Profiles, and the unavailability of data on subsidiaries of conglomerates, the financial performances of many strong apparel operations are not included in these composites. If the returns for companies like *David Crystal, Union Underwear, Hanes, Queen Casuals, Her Majesty,* or *Londontown* could be included, we are confident that our 1981 Apparel Profile would show substantially stronger numbers.

It is obvious that the proliferation of designer labels and the broader promotion they are receiving have given apparel a new and more profitable market thrust. Larger financial resources, more effective sourcing strategies, and better management are at work behind these figures, and apparel seems poised for excellent performance once the economy straightens out and favorable demographics enter the picture. The stronger public companies should have a field day when that happens.

Ten-Year Growth In Sales

Company	1972 Sales	1981 Sales	10-Year Change (%)
Palm Beach	75.80	497.20	555.94
Levi Strauss	504.10	2,851.20	465.60
Blue Bell	344.50	1,427.20	314.28
Kennington Ltd.	19.30	75.10	289.12
House of Ronnie	20.10	78.00	288.06
William Carter	61.00	189.70	210.98
Olga Company	19.10	58.20	204.71
Garan Incorporated	56.40	152.40	170.21
Hampton Industries	41.60	110.80	166.35
Bayly Corporation	40.80	104.90	157.11
VF Corporation	297.20	746.30	151.11
Champion Products	47.30	113.90	140.80
Fritzi of California	24.60	58.20	136.59
Leslie Fay	103.00	236.90	130.00
Quality Mills	22.10	50.50	128.51
Kellwood	307.30	590.10	92.03
Noel Industries	18.70	35.40	89.30
Barco of California	12.10	22.90	89.26
Oxford Industries	189.10	333.70	76.47
Puritan Fashions	142.40	248.40	74.44
Warnaco Inc.	282.50	478.90	69.52
Cluett-Peabody	547.20	826.30	51.01
Wayne-Gossard	58.80	88.40	50.34
Russ Togs	127.40	190.40	49.45
Manhattan Industries	214.90	314.90	46.53
Work Wear Corp	137.40	200.10	45.63
Salant Corporation	145.70	210.90	44.75
Munsingwear	91.50	131.20	43.39
Phillips-Van Heusen	297.80	419.40	40.83
Movie Star Inc.	32.60	43.40	33.13
Jonathan Logan	332.20	417.70	25.74
Pat Fashions	58.00	72.30	24.66
Bobbie Brooks	175.40	190.50	8.61
Farah	155.60	168.80	8.48
Aileen	58.20	53.50	-8.08
After Six	44.30	39.10	-11.74
Jack Winter	46.60	37.80	-18.88

Public apparel companies that have appeared in all of KSA's ten apparel Profiles are listed above, along with their sales volume changes over the period. Assuming a 5.48% compounded growth in the apparel producer price index, a company whose volume increased by only 61.75% had no real gain.

Fourth Annual Performance Profile of Public Footwear Companies

Impressive results for 39 publicly owned U.S. footwear firms in fiscal 1981.

Manufacturers

PUBLICLY OWNED footwear manufacturers continued their excellent 1980 performance with figures almost as good in fiscal 1981. Total sales volume for the 17 firms in this year's Profile reached $1.7 billion, up 27% from 1980. The two-year gain in net sales since 1979 has been $767.7 million, or 78.6%.

Net after tax profits for the group totalled $80.5 million in 1981, up $28.5 million, or 55%, from 1980. Their profits-to-sales ratio climbed from 3.79% to 4.62%.

The surge in sales was also accompanied by peaks in gross profits (30.1%), operating earnings (10.4%), and pre-tax income (8.4%) for the four years that KSA has profiled footwear companies. Unfortunately, a record was also set in interest expenses for fiscal 1981; they reached 2.23% of sales as compared with 1.6% back in 1978. This experience matches that of apparel manufacturers and demonstrates the price paid by highly leveraged firms.

Big Spenders

One reason for the growth in interest expense, in addition to lofty rates, was the investments in new equipment that shoe manufacturers made last year. All 17 firms in the sample allocated a total of 3% of sales to capital expenditures in fiscal 1981, compared with 2.1% in the previous year. Companies like *Tony Lama, Stride Rite, Wolverine,* and *R. G. Barry* reinvested well over 3% of their sales in new technology.

The ultimate goal of such investments, of course, is a lower cost of goods sold and higher gross profit. On the evidence of the figures above, this was certainly the case for *Stride Rite* in 1981. The company increased its capital spending by 2½ times and brought down its cost of goods sold by three points, to 60.4% of sales. The connection may not be that direct, but it is there.

The manufacturing sector of this year's Footwear Profile achieved a composite 17.8% return on total equity, up from 15.5% in 1980, and 9.9% in 1979. This year's ratio was also highest among the three sectors, beating retailing by four percentage points, and miscellaneous by 0.6%.

Top Performers

Nike, Inc., a newcomer to KSA's Footwear Profile, was top performer in return on equity and invested capital, and ranks high in several other ratios. The athletic shoe manufacturer grew from $2 million in volume in 1972 to $458 million in 1981, and net income has almost doubled each year during that period. The company now markets over $33 million in athletic wear, which would place it about one-third of the way up on the list of public apparel sales volumes.

Top performer in profit on sales was *Tony Lama*, with a 9.3% ratio. The bootmaker also placed first in operating margin and return on total assets (15.2%.)

Retailers

SIX FOOTWEAR companies in this year's Profile derive at least 50% of their sales from retailing. The group's total volume increased only 7.2% over 1980, meaning no unit gain. Profits dropped almost $4 million (–6%), continuing a four-year decline.

Among the primary retail firms, *Edison Brothers* accounted for 58% of the group's total sales, and led with a 4.6% profit-to-sales ratio. However, that figure was at 6.2% in 1978. Gross profit slipped over two points during the span, from 37.7% to 35.5%.

For the group as a whole, gross profit was 37.7%, where it has remained for four years. However, SG&A expenses have risen four points during the same period, to 30.5%, and the squeeze has brought the bottom line down by almost two percent.

continued on page 14

Footwear Performance Profile – 1981

Manufacturers and Retailers

81 Sales Rank	Company	Net Sales ($000)	80	Net Income ($000)	81	80	Net A.T. Inc. on Sales %	81	80	Return on Total Equity %	81	80
21	B. B. Walker 10/81-M	69,117	25	−298	32	31	−.43	22	19	−3.40	22	21
12	R. G. Barry 12/81-M	141,080	12	1,284	21	17	.91	19	16	4.19	19	16
19	Caressa 09/81-M	44,190	23	1,849	18	30	4.18	10	21	12.05	11	19
31	Cert. Creations 09/81-M	8,981	34	259	28	27	2.88	15	18	8.39	14	18
15	Craddock-Terry 09/81-M	99,937	15	3,411	15	14	3.41	12	12	9.43	12	14
25	Daniel Green 12/81-M	21,793	30	1,585	19	20	7.27	2	1	18.85	4	5
5	Edison Bros. 12/81-R	951,436	5	43,654	5	4	4.58	8	8	16.50	6	6
24	Hyde Athletic 12/81-M	28,043	26	198	29	29	.70	20	20	2.47	20	20
32	Kaysam Corp. 03/81-M	12,929	32	746	24	23	5.76	3	5	16.38	7	3
13	Kobacker Stores 12/81-R	129,821	13	2,539	17	16	1.95	17	14	15.70	9	7
8	Morse Shoe 12/81-R	447,211	7	10,076	11	7	2.25	16	11	8.90	13	9
7	Nike, Inc. 05/81-M	457,742	*	25,955	7	*	5.67	4	9	31.15	1	1
27	Penobscot Shoe 10/81-M	19,769	27	848	23	18	4.28	9	2	7.95	16	8
26	Shaer Shoe 10/81-M	20,871	29	661	25	22	3.16	14	6	8.21	15	11
30	Simco 07/81-R	10,383	31	423	27	24	4.07	11	4	6.55	17	13
20	Spencer Cos. 06/81-R	69,357	22	1,085	22	19	1.56	18	15	5.86	13	15
11	Stride Rite 11/81-M	194,829	11	9,165	12	11	4.70	7	10	16.31	8	12
22	Stuart McGuire 12/81-R	31,370	21	101	31	32	.32	21	22	2.45	21	22
14	Suave Shoe 09/81-M	117,036	16	5,722	14	15	4.88	6	13	19.90	3	10
18	Tony Lama 07/81-M	98,053	20	9,131	13	12	9.31	1	3	26.47	2	2
29	Wellco Ent. 06/81-M	18,710	32	1,341	20	26	7.16	+	+	25.71	+	+
17	Weyenberg 12/81-M	92,322	19	3,132	16	21	3.39	13	17	14.03	10	17
*9	Wolverine 12/81-M	299,133	10	15,541	9	9	5.19	5	6	17.62	5	4

Miscellaneous Footwear Companies

2	Brown Group	896,312 *	55,120	4.12	16.35
6	Genesco	463,743 *	18,083	2.73	18.08
16	Heck's	94,759 *	13,362	2.82	12.80
4	Interco	568,429 *	124,330	1.87	13.60
23	Int'l Seaway	28,345	531	4.93	4.66
1	Melville	1,214,771 *	136,133	5.25	22.24
10	Scoa	226,011 *	28,118	2.99	22.89
3	U.S. Shoe	603,652 *	46,943	4.82	18.59
28	Wiener Ent.	18,644 *	144	.25	1.45

* *Estimated footwear sales.*

Total Debt To Assets			Return on Total Assets			Sales To Total Assets			Gross Profits			Operating Earnings			Inventory Turns			Return on Invested Capital		
%	81	80	%	81	80	%	81	80	%	81	80	%	81	80		81	80	%	81	80
.76	2	4	−.79	22	19	1.85	13	13	26.42	19	18	6.49	13	18	4.57	6	10	−1.62	22	19
.55	5	9	1.88	19	17	2.07	9	7	35.42	8	8	3.79	20	16	3.57	11	12	2.36	20	17
.46	9	18	6.46	12	21	1.54	21	17	34.41	9	20	11.92	5	22	33.46	1	1	12.05	10	20
.24	20	21	6.35	13	18	2.20	5	14	25.99	20	19	5.11	16	21	5.54	4	6	8.39	11	18
.44	11	13	5.19	15	13	1.52	22	20	34.19	10	9	6.75	12	13	2.88	17	15	7.29	14	14
.27	19	19	13.71	2	2	1.88	12	18	29.33	14	11	14.91	3	1	2.77	19	17	18.85	3	3
.40	15	14	9.81	6	7	2.13	7	6	35.47	7	6	9.10	10	7	3.42	13	14	13.92	6	7
.50	6	5	1.23	20	20	1.75	16	21	27.51	18	21	8.26	11	19	2.10	22	23	2.47	19	21
.40	15	12	9.75	7	4	1.69	15	12	31.33	12	15	13.65	4	5	3.25	14	11	12.23	9	5
.77	1	2	3.59	17	15	1.83	14	16	41.47	3	2	6.36	14	15	2.14	21	22	5.24	17	13
.43	12	15	5.04	16	9	2.23	3	2	40.62	4	3	4.53	18	14	2.87	18	18	5.99	16	9
.63	4	1	11.27	3	8	1.98	10	9	28.31	15	17	14.99	2	4	3.72	10	3	28.23	1	1
.12	23	20	6.99	10	3	1.63	19	19	27.85	17	10	4.87	17	3	4.52	7	5	7.95	13	4
.18	21	23	6.69	11	5	2.11	8	5	10.88	23	23	4.01	19	9	10.84	2	2	8.21	12	8
.14	22	22	5.63	14	10	1.38	23	22	52.20	1	1	2.76	22	12	1.98	23	21	6.31	15	10
.40	15	17	3.50	18	14	2.23	3	4	36.58	6	7	3.45	21	17	2.98	16	13	5.18	18	15
.49	7	11	8.17	9	11	1.73	17	15	39.58	5	5	9.76	8	8	2.43	20	20	12.72	8	12
.65	3	2	.84	21	22	2.62	1	1	45.07	2	4	.50	23	23	3.76	9	9	1.45	21	22
.45	10	8	10.79	4	12	2.20	5	10	20.86	22	22	10.11	7	10	7.42	3	4	14.54	4	11
.42	13	7	15.22	1	1	1.63	19	8	31.29	13	12	15.23	1	2	3.04	15	16	21.41	2	2
.48	8	5	13.11	+	+	1.83	14	23	25.43	21	16	10.49	6	11	3.50	12	19	17.34	+	+
.39	18	16	8.52	8	16	2.51	2	2	31.63	11	13	6.14	15	20	4.78	5	7	14.03	5	16
.42	13	10	10.19	5	6	1.96	11	10	28.12	16	14	9.49	9	6	4.43	8	7	13.49	7	8

.43	9.32	2.26	38.83	7.50	3.45	13.12
.73	4.75	1.74	32.97	6.29	2.69	6.97
.59	5.21	1.84	27.81	6.64	2.82	6.93
.37	8.46	1.61	32.81	9.75	2.73	10.52
.40	2.77	1.48	23.55	3.59	3.16	4.66
.46	12.00	2.43	40.28	9.62	3.63	18.66
.64	8.21	2.74	32.69	5.76	5.50	12.69
.45	10.15	2.10	37.51	9.86	3.42	14.45
.54	.66	2.70	44.67	3.04	2.78	.85

INDUSTRY SEGMENT RESULTS AND TOP PERFORMERS

Industry Segment Top Performers and Totals by Year *	No. of Firms Reported	Sales ($000)	Net Income ($000)	Net A.T. Income on Sales %	Return on Total Equity %	Total Debt to Assets	Return on Total Assets %	Sales to Total Assets	Gross Profit %	Oper. Earn. %	Inv. Turns	Return on Inv. Capital
Manufacturers												
Nike, Inc.		457,742	25,955	5.67	31.15	.63	11.27	1.98	28.31	15.00	3.72	28.23
Tony Lama		98,053	9,131	9.31	26.47	.42	15.22	1.63	31.29	15.23	3.04	21.41
1981	17	1,744,535	80,530	4.62	17.81	.50	8.79	1.90	30.14	10.43	3.79	14.12
1980	17	1,371,480	51,988	3.79	15.50	.53	7.25	1.91	29.16	8.94	4.12	11.32
Retailers												
Edison Bros.		951,436	43,654	4.59	16.50	.40	9.81	2.13	35.47	9.11	3.42	13.92
Kobacker Stores		129,821	2,539	1.96	15.70	.77	3.59	1.83	41.47	6.37	2.14	5.24
1981	6	1,639,579	57,678	3.53	13.68	.44	7.56	2.14	37.69	7.20	3.10	10.25
1980	6	1,529,876	61,812	4.04	15.59	.43	8.75	2.16	37.94	8.27	3.03	12.01
Misc./Multi-Industry												
Scos Ind.		941,713	28,118	2.99	22.89	.64	8.21	2.74	32.69	5.76	5.50	12.69
Melville Corp.		2,760,842	136,133	4.93	22.24	.46	12.00	2.43	40.28	9.62	3.63	18.66
1981	9	9,605,315	422,744	4.40	17.16	.47	9.03	2.05	36.07	8.58	3.28	12.59
1980	9	8,713,303	344,616	3.96	15.90	.45	8.64	2.18	35.40	7.76	3.51	12.07
Composite Total												
1981	32	12,989,429	561,152	4.32	16.80	.47	8.82	2.04	35.48	8.65	3.32	12.49
1980	32	11,614,659	458,616	3.95	15.81	.46	8.47	2.14	35.00	7.97	3.50	11.97
Composite Total ■												
1981	23	3,384,114	138,408	4.09	15.81	.47	8.23	2.01	33.80	8.87	3.44	12.20
1980	23	2,901,356	113,800	3.92	15.55	.48	7.99	2.03	33.79	8.59	3.50	11.89

■ Excludes Misc./Multi-Industry Companies

* Industry segment top performers are based on Return on Total Equity for fiscal 1981.

Miscellaneous and Multi-Industry

THE NINE companies in this group feature a mixture of retailing, manufacturing, and non-footwear activities that prevent their being classified as either footwear manufacturers or retailers. However, the extent of their activity in footwear is too great to be ignored.

The volume leader in this area is *Melville*, whose $2.6 billion in sales represented an 18% gain over 1980. Profits rose by the same degree, and its 4.9% net income-to-sales ratio was exceeded only by *Interco's* 5.3%.

Brown, *Genesco*, and *U.S. Shoe* have combined manufacturing and retailing activities that give each more than a 60% orientation in footwear. All three companies went ahead of their 1980 figures significantly, reflecting the advances registered by the manufacturing group. *Genesco's* 2.7% profit-to-sales performance in the year ending July, 1981, was its best level in five years. Its net income of $18 million was the highest for the period, although it was achieved on sales that were $350 million lower than they were in 1977.

Melville, invested 4.7% of sales, almost as much as it earned, in buildings and equipment.

Solid Footing For Public Companies

Two strong years in a row have produced performance figures better than the other two industries profiled by KSA—apparel and textiles.

Only the firms that specialize in footwear retailing produced weak data. If it were possible to compare their performances with only the retail performances of the miscellaneous and multi-industry firms, meaningful conclusions about shoe retailing *per se* could be drawn.

Imports, of course, cloud the picture further.

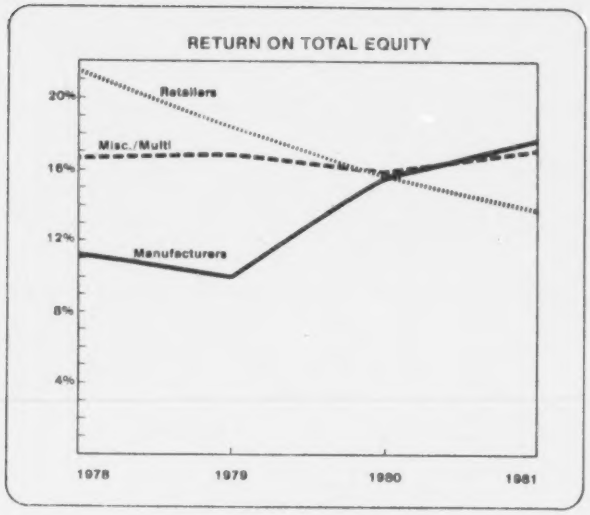
Considering all the companies in this Profile, and ignoring the distinctions among them, five-year trends are impressive. Gross profits for the group are up from 30.6% in 1977 to 35.5% in 1981.

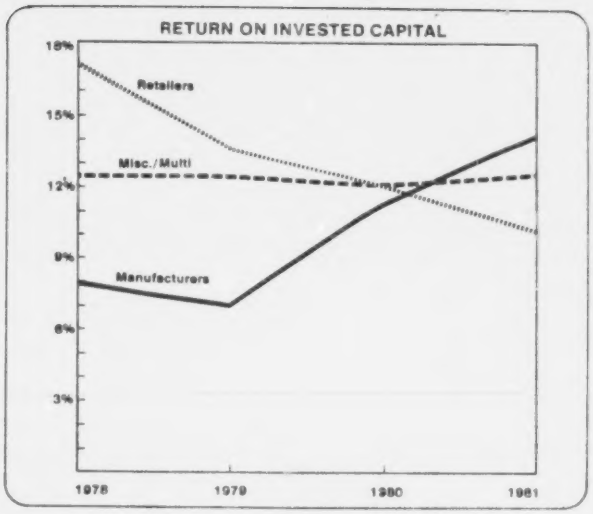
Although SG&A is also up 2.7% since 1977, the large write-downs taken earlier in the five-year period evidently set the stage for a substantial turnaround in bottom line profit—from a 2.2% loss to a healthy 4.3% composite figure for the group.

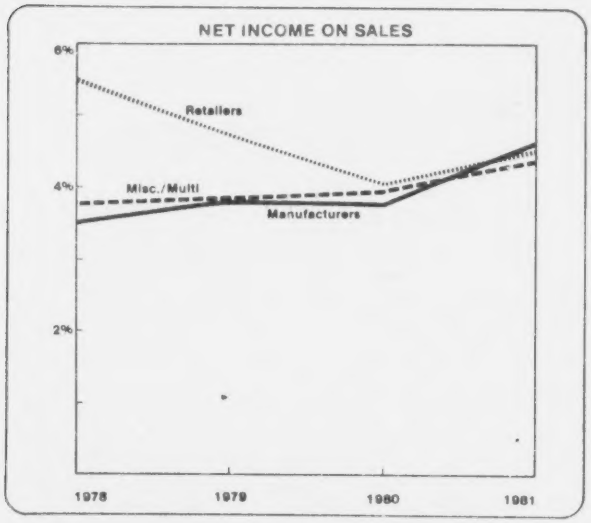
continued next page

Capital Expenditure as a % of Sales

	1978	1979	1980	1981
Manufacturing	2.31	2.17	2.12	3.02
Retailing	3.05	3.96	4.09	3.41
Misc./Multi	2.16	2.33	3.04	3.25
All-Industry without Misc./Multi	2.75	3.22	3.16	3.21
All-Industry with Misc./Multi	2.30	2.54	3.07	3.24







The financial performances of those companies profiled here would appear to be all the more remarkable when contrasted with what happened in the industry at large in 1981:

- Domestic non-rubber production dropped about 21 million pairs from the previous year.
- Imports gained 2.7% over 1980.
- Hours worked and employment for domestic manufacturers were both slightly lower for the year.
- The consumer price index for footwear increased at the rate of only 5.3% in 1981 while the CPI for all items rose 10.3%.

These companies are obviously gaining in a difficult environment and are doing so at the expense of other weaker footwear producers and marketers. The successful companies' strategies include: integration into general retailing, product and industry diversification, and successful sourcing on a global scale.

CONGLOMERATES

	Est. Footwear Sales	Footwear Division
Alberto Culver	*	John A. Frye
Colgate-Palmolive	*	Etonic
Cheseborough-Ponds	123,185	Bass
F. W. Woolworth	814,000 (dom)	Kinney
May Co.	230,000	Volume Shoe
Northwest Ind.	*	Acme Boot
Schering-Plough	*	Scholl

* Not available.

COMPANY CLASSIFICATION

Manufacturing: Companies deriving 50% or more of sales from footwear manufacturing.

Retailing: Companies deriving 50% or more of sales from footwear retailing.

Misc./Multi: •Companies for whom a breakout between manufacturing and retailing could not be determined.

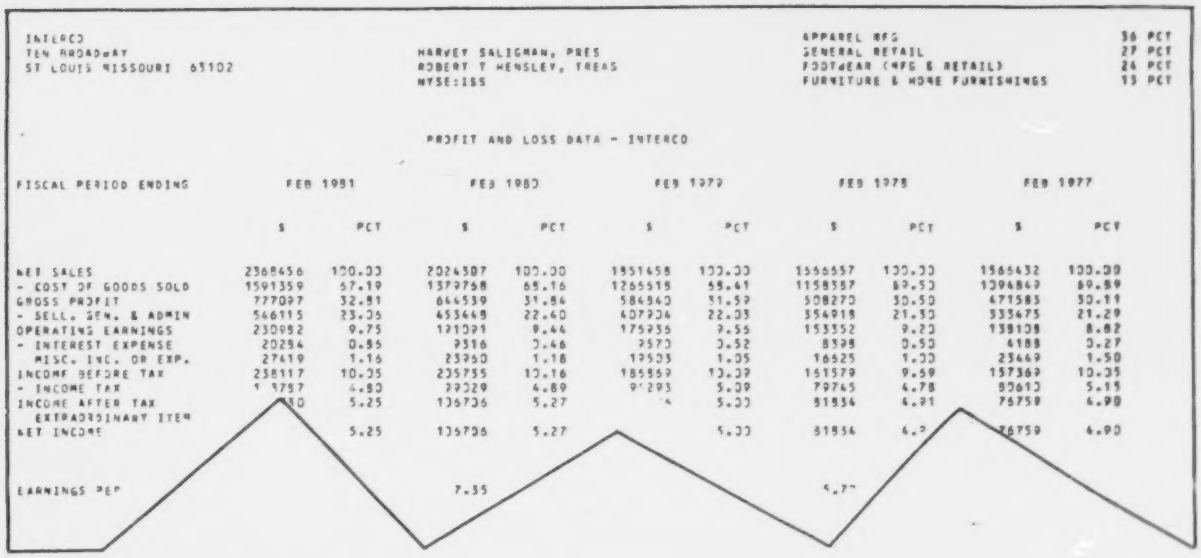
•Companies for whom the breakout was about 50-50.

•Companies with 20% to 50% of sales in either manufacturing or retailing.

•Importers.

Conglomerates: Companies whose footwear volume was less than 20% of total sales, but more than $50 million. A list of these companies, along with available sales information, is found above. They do not appear elsewhere in the Profile.

Specific assignments within these four groups were based upon data furnished by the companies and the judgments of senior members of KSA's footwear division.



INTERCO
TEN BROADWAY
ST LOUIS MISSOURI 63102

HARVEY SALIGMAN, PRES
ROBERT T HENSLEY, TREAS
NYSE:ISS

APPAREL MFG 56 PCT
GENERAL RETAIL 27 PCT
FOOTWEAR (MFG & RETAIL) 24 PCT
FURNITURE & HOME FURNISHINGS 13 PCT

PROFIT AND LOSS DATA - INTERCO

FISCAL PERIOD ENDING	FEB 1981		FEB 1980		FEB 1979		FEB 1978		FEB 1977	
	$	PCT	$	PCT	$	PCT	$	PCT	$	PCT
NET SALES	2368456	100.00	2024307	100.00	1751458	100.00	1556557	100.00	1566432	100.00
- COST OF GOODS SOLD	1591359	67.19	1379758	68.16	1265518	66.61	1158387	69.53	1394849	89.89
GROSS PROFIT	777097	32.81	644539	31.84	586360	33.39	508270	30.50	471583	30.11
- SELL. GEN. & ADMIN	546115	23.06	453648	22.40	407906	22.03	354918	21.30	333475	21.29
OPERATING EARNINGS	230982	9.75	191091	9.44	179935	9.55	153352	9.20	138108	8.82
- INTEREST EXPENSE	20294	0.85	9316	0.46	9573	0.52	8398	0.50	4188	0.27
MISC. INC. OR EXP.	27419	1.16	23950	1.18	19503	1.05	16625	1.00	23449	1.50
INCOME BEFORE TAX	238117	10.05	235735	10.16	185559	10.39	161579	9.69	157369	10.05
- INCOME TAX	[illegible]757	4.80	99029	4.89	[illegible]293	5.09	79765	4.78	80613	5.15
INCOME AFTER TAX	[illegible]80	5.25	136736	5.27	[illegible]	5.00	81934	4.91	76759	4.90
EXTRAORDINARY ITEM										
NET INCOME		5.25	136736	5.27		5.00	81934	4.9	76759	4.90
EARNINGS PER			7.35				5.7[illegible]			

THE COMPLETE PROFILE

This issue of *Perspectives for Apparel and Footwear Management* contains excerpts from the complete Industry Profile, a print-out of approximately 400 pages produced by a computer program developed by KSA.

The full print-out covering five fiscal years ending in 1977 through 1981 is available for in-depth comparisons and study. It includes a compilation of five-year average performances in five pertinent ratios for all companies and industry segments.

For each of the companies, as well as the three industry segment composites and the total industry aggregate, the report contains:

1. Balance sheets in both dollars and percentages.
2. Income statements in both dollars and percentages.
3. Statements of changes in working capital.
4. A comprehensive list of ratios, including:
   - Current Ratio
   - Acid Ratio
   - Receivables Turns per Year
   - Inventory Turns per Year
   - Sales/Inventory
   - Return on Sales
   - Return on Invested Capital
   - Return on Total Equity
   - Return on Common Stock
   - Return on Total Assets
   - Operating Return
   - Cash Flow/Sales
   - Sales/Total Assets
   - Sales/Net Worth
   - Sales/Working Capital
   - Fixed Assets/Net Worth
   - Long-Term Debt/Invested Capital
   - Long-Term Debt/Net Worth
   - Long-Term Debt/Common Equity
   - Total Debt/Total Assets
   - Interest Coverage
   - Total Coverage

In addition, composite data for the industry segment groupings are presented in the same manner as the individual company compilations, as sums of all company performances in each group.

Industry totals (with and without the multi-industry companies), and data comparing the industry segments with the total industry, as well as a year-to-year percent change analysis of nine pertinent variables for each company, industry segments and composite are also included.

The apparel and footwear print-outs are available from KSA at a cost of $300 and $150, respectively.

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